

How to avoid Getting Nailed by a Home Remodeler

Introduction: It's a Good Thing December Only Comes Once a Year

Every year in the first part of December the majority of failing home remodelers go out of business, capping off their 24-month stint as an independent contractor. This shouldn't be a surprise to anyone; the business "enjoys" a **96% failure rate** in the first four years! It was not a surprise for the contractor – he knew the end was in sight – but it sure makes for a bad holiday present for his clients, people whose homes may be in shreds but who were told "it'll all be ready for the holidays."

In December 1995, a Minneapolis-St. Paul TV station did an investigation of some remodeling companies. They discovered homeowners with torn-apart houses who were getting nailed for extra costs after having advanced cash to the contractor for those same bills. After the report, the TV station was inundated with calls from homeowners who were having similar problems with bad contractors.

The homeowners who got "nailed" really got hit hard. The highest amount was over \$100,000 in just "extras" and the project was never finished! The other homeowners all got nailed for lower amounts, but even if it was 'only' \$10,000 that amounts to an extra \$110 every month for the next fifteen years on that second mortgage payment.

The TV report offered a few words of advice and a free booklet on the hiring of a contractor. There are at least one hundred two-page booklets from various Better Business Bureaus, builders associations, lumber yards and banks. Lots of homeowners **order** these books but then, sadly, don't **read** them.

There's also a lengthy 400-page book on how to hire a contractor. In the introduction, the author admits that most people who get taken aren't careful and that they take the lowest bid, even though they know better. But the author is also hoping that someone will pay the fifteen bucks (or more) for his book and heed his advice after plowing through almost 400 pages. That would take a normal person about three days to read. The less ambitious never finish the book or take the advice anyway. Why should they, when they're really only after the lowest PRICE anyway? Besides, they want to get ready for their TV appearance in December.

For the last 10 years Sawhorse has published a free Contractor's Questionnaire. People from all over the country have requested copies. It's the most effective document a homeowner can give to a prospective remodeler. There are 27 questions. An honest contractor can answer them without fear. A dishonest one won't fill it out and will never call back. The homeowner WINS! The homeowner just became "nail-proof" and won't be tempted by a bad remodeler!

Homeowners who don't get the Questionnaire filled out or heed the advice of any of the other published booklets do so for just a couple reasons:

- (1) They spend **too much time researching the design and price of the project but not enough time searching for a contractor**, or
- (2) They don't want to anger or insult the contractor by asking them to fill out the questionnaire.

These reasons are weak, and you shouldn't be weak when you're dealing with the size deals we are usually talking about in professional remodeling. Do what this booklet suggests, and stay off of the next TV report. You'll not only be **RICHER(!)** but you'll also be able to enjoy your fine remodeled home and get on with your life.

Give the questionnaire to a contractor at your **FIRST MEETING**, and insist that they fill it out, without fail, before your second meeting, and certainly before any discussion begins about design or price.

Don't waste your time with any contractor who will not fill out the questionnaire. Only a contractor who has something to hide will not fill it out and will never call you back. Others will promise to fill it out **if you sign a contract!** Better you should eat the pen they want you to sign with. The worst that can happen is that some bad contractors will never call you back. Your risk is minimal if you use the Questionnaire to shield you against getting "nailed." Take your pick. Would you rather have the guy just never call back, or would you like him to get into your checking account with a machete?

Meet Bill Nails aka Buffalo Bill Nails

For 20 years at Sawhorse, the term "Buffalo Bill Nails" has been our in-house coded identifier for inept and/or crooked contractors. Let me tell you about Bill.

First, Bill "buffaloes" you into signing a contract right off the bat. Then he "bills" you for the extras he's suddenly and magically discovered, and then he "nails" you over unfinished work and unpaid bills. "Buffalo...Bill...Nails." I'm sorry to say this, but if you hire him you deserve what happens to you.

What a guy. HE won't fill out our Contractor Questionnaire, I can assure you. He'll posture, bluster, and come up with excuses you might not expect an adult to use, but he will NOT answer the questions – because he has no answers. YOU WIN! You just drove off a charging buffalo! You will not have to do business with the scoundrel because the questionnaire turned into your shield.

Below we have provided instructions for the 27 questions in the Contractor's Questionnaire. I can't know how much you value your time but I know your present home and your personal relationships are worth a lot more than the minutes it will take you to read these instructions and the time it will take to hand the questionnaire to a contractor.

Start learning the amazing difference between cost, price, and value and give our questionnaire – with our best wishes for your real success in remodeling – to the contractor you have in mind.

Happy re-do!

Instructions and information for each of the 27 questions in the Contractor's Questionnaire

1. Where is the remodeler's place of business?

You have to find out how mobile the remodeler is. This is essential. If he lives in his van, he can be five states away with your check by the time you are sitting down for supper. (We call this one "Riding-Into-The-Sunset Bill"). Such maximum mobility is good for Bill and very bad for you.

If he runs his business out of a motel or an apartment, he's still too mobile and can be gone in the time it takes to pack (and he probably doesn't have much to pack).

A remodeler who **rents** a commercial building but **owns** a home is much less mobile and may have some financial resources as well. Better for you.

The remodeler who **owns** his commercial building and owns his home isn't mobile. He can't get out of town quickly and doesn't intend to. He may also have the financial resources to take care of things when there is a problem he did not foresee on your job. **Best** for you. You win.

Your main reward in not dealing with a remodeler who has mobility is that when you call him to find out when your job is going to start (after you've given him a 25% down payment), you won't have to hear the operator cut in and say the words that have stopped hearts all over the country: "I'm sorry, that number is no longer in service."

2. Does the remodeler have a showroom?

If you can SEE the various products that will be used on your project **before** you sign a contract, it will work in your favor.

Selecting at the contractor's showroom puts the responsibility on the remodeler for a correct/honest representation of the various products. On the other hand, if YOU make selections at supply houses or lumber yards, the responsibility shifts to YOU and the supplier. Also, driving all over town takes a lot of time and effort.

Maintaining a showroom is obviously more expensive than keeping the glove compartment of a pickup truck straightened up. But remodelers who show their products in their own place of business are demonstrating up front that they are far more serious about their business and a lot more customer-service oriented than the pickup truck gang.

If you have to chase all over town **while** your home is torn apart, you can get nailed for extra costs. Make the selections and get the costs FIRST, before the work begins.

Even the remodelers who maintain showrooms can't show every possible product, but every one they do saves you time.

3. How are your remodeling plans drawn up?

There are a number of ways to get plans. The last is best:

You could hire your own architect and have plans drawn up for \$90 to \$150 dollars per hour and up. In addition, many architects get 5% of the project price added onto the bill. This is usually fairly expensive, and the drawn-out process of hourly fees for more design input and corrections is what drives up the cost. Many times homeowners settle for a plan they're not crazy about because of fatigue. They don't want to spend more money or time on a plan without knowing what the costs are.

In addition, the smart contractors don't like to work off the architect's plans if the architect has stamped the plans with a statement like "the builder is responsible for the correctness of the plans' engineering." It's called passing-the-buck after getting a lot of bucks. If the architect has Errors and Omission Insurance covering the design and engineering, contractors are more receptive to looking at the project.

Architects, like any other professionals, get better with experience. Not just at drawing creative plans, but drawing plans that actually end up getting built without breaking the client's budget. The architect should have enough experience to have drawn at least FIFTY projects that actually got built. That's not a lot of experience, but it's a start.

Architectural Draftspersons: With many of the drafting schools teaching CAD (Computer Aided Drafting), the plans that are being done by inexperienced drafters never looked better! However, the design process – with form following function, and what looks great and what doesn't, is NOT taught

in Drafting School. What's taught now is just the art of drafting projects that have been designed by others.

Computers can make the drawing faster (which means mistakes are coming faster, too.) If there's not a lot of experience with drawing plans that actually get built, you can't call it "experience."

Regarding remodeling contractors and plans: No matter who designed your project, your first understanding should be that anything that's **on** your plans but **not on** your contract you should get worked out with your contractor. And if it's on your contract but not on your plans, you should also get this worked out with your contractor. This one area where Buffalo Bill Nails will balk and walk.

Most contractors hire a drafting service after the contract is signed. The draftsman rarely visits the job site because they are paid by the hour. This allows the plans to be quickly drawn. Unfortunately, the omissions and errors will be discovered during the building process. Along with the required change orders come increased costs and slower progress. Also, when on-the-job changes are made the building inspector is seldom notified as required because corrected plans and copies have to be drafted and sent to the City Building Department. This costs more and contractors will take the risk rather than pay. If plan alteration doesn't meet building code, it's too late by the time the inspector catches the infraction. When the remodeler is ordered to do the work over he'll blame the problem on the building inspector and bill the client. (Remember "Buffalo Bill Nails"?)

A Design/Build contractor who employs Registered Architects, Unregistered Architects, or Draftspeople is responsible for the outcome of the plans and ensures that the project can be built as designed. Also, the planning process is faster and costs much less than hiring an architect of your own. All changes required as the job is being built are made quickly and given to the building inspector for approval. The Design/Build remodeling concept has been used by larger, more successful remodelers for years. It's the only way to go - it's good for the remodeler and good for the homeowner.

In a lot of Eastern states it's a state law that the plans be prepared or supervised by a registered architect. A registered architect is an architectural graduate of an accredited college or University who, after working five years in the field, passes the required tests to be a registered architect.

*Also, any designer who knows anything about drawing remodeling plans always includes furniture layouts, traffic patterns and view sightlines. **This is called proving the plan.***

4. How many projects has the contractor or his project manager built that would qualify them to build your project?

This is just the first attempt to ferret out the inexperienced or inept. Buffalo Bill Nails will spin you a yarn that will put him right up there with Frank Lloyd Wright. Get the NAMES and ADDRESSES of the projects claimed and check them out.

If you were going to have open-heart surgery, wouldn't you want to pick the heart surgeon with the most proven experience and whose patients were still alive?

5. How many years has the contractor been in business under the PRESENT NAME and PRESENT OWNERS?

Buffalo Bill Nails doesn't like this one because it's too easy to check out. And check it out you **MUST!**

If the remodeler you are talking to has been in business for under five years, forget about it. **This is no time to root for the underdog!** Why risk your house and bank account? With a 96% failure rate for remodelers in business for four years, you shouldn't be enticed by a low bid. Good business practice says that you should never enter into a partnership or contract with someone who doesn't have as much to lose as you do. A remodeler that's in the 'going-out-of-business' business doesn't have anything to lose. You have everything to lose.

Be safe and only seek out a remodeler who has been in business for 10 years and has as much to lose as you do if things don't go well. The more projects the remodeler has done during those 10 years the better for you. That's ten years under the present name and ownership. After all, a 10 year- old company could have a new owner without the same reverence for ethics and customer satisfaction. Buffalo Bill Nails could be the new owner! Also, you may want to find out if the remodeling company has the same management as it did 10 years ago.

6. Do the company's owners operate other remodeling companies under other names?

Many BAD remodelers will set up three remodeling companies with three different names. The intent is to have all three bidding on the same project at the same time. This will make sure prices are inflated enough to pay for a long winter vacation for all concerned. And there's another reason.

All three remodeling companies can go out of business yearly! It's where they make their REAL profits But before company A goes out of business, all material deliveries for companies B and C are delivered and billed to the remodeling sites of Company A. Companies B and C then come and pick up the materials and use them on projects B and C lien free. This leaves company A's customers stuck with all the bills and liens (Buffalo Bill Nails rides again), plus they get to be on TV in December. Soon after, a Company D is started up and the process continues.

Don't expect Buffalo Bill Nails to answer the question about this materials-and-liens shell game. All the question can do is remind him that at least some people understand how his game is played.

7. Has the remodeler or his partners, owners or officers gone out of business or gone bankrupt?

Easy question to answer. Those who have not will write "No." Those that have won't tell you. They'll take the questionnaire home with them and never call you back.

8. What bank does the remodeler do business with?

Also ask how long they've been with that bank and what other banks they've had accounts with since they've been in business.

9. Get the bank's phone number and the name of an officer to talk to for a reference.

It's always nice if you can find out if the Remodeler is bouncing checks all over town or if he continually has insufficient funds. What's going to happen when it comes time to pay YOUR bills?

Be aware that if the remodeler is in debt to the bank you are checking with, that the reference may not come out as objective as it should be.

In the mid-80's there was a remodeler called "Father and Son" They broke the record for nailing Twin Cities homeowners. They were able to make millions disappear with the aid of a bank in suburban

Hopkins. In the remodeler's contract, the homeowners unknowingly signed onto an agreement that the Bank would advance the remodeler the entire amount of the contract three days after the contract was signed. Talk about a money pot!

Again, lots of TV coverage for about a week. Lots of moist eyes of people who knew better. We know they knew better because some of those who got nailed were homeowners that were given our Questionnaire. But the low bid on a project that never got started (after a down payment) was enough bait to nail the unwary.

10. Are checks made payable to a business account or a personal account?

Not that you could tell the difference or that the remodeler would tell you anyway.

Consider this: Any remodeler who starts his own remodeling business should have some creativity in his soul. And it starts with the name of his company. Why then would he name his company after himself? First and last name. Well, if the remodeler's name was Billy Nails and your check is made out to Billy Nails, couldn't he go right to your bank and cash your check for CASH and avoid paying any State or Federal income taxes also? And when he gets caught by the IRS, guess who ALSO gets audited?

If you write out a check to a company that is incorporated ("Inc.") then the bank *has* to deposit the check in the remodeler's business checking account, and it *has* to go on his books.

If your check comes back after being cashed for a bunch of Ben Franklins, consider yourself the new cash machine. Are you enjoying getting nailed?

11. What insurance company represents the remodeler for General or Personal Liability and what are the limits?

The first thing you should understand about insurance companies is that they didn't build those marble-faced buildings by happily paying every claim that came their way.

A remodeler may show you a policy, but that doesn't mean it's in force. You should request a Certificate of Insurability. It can only be sent out by the insurance company in their envelope and from their office. It will tell you the limits and when it expires. However, if the remodeler misses the monthly payments, it can expire sooner. The insurance company is supposed to notify you if it expires. But that's not always done and some people who think they are insured, aren't. If your name doesn't show up on the books in the yearly insurance audit, you are not insured. You don't exist as far as any insurance claims by you, your neighbors or your workers are concerned.

The big thing to remember is when the remodeler goes out of business, all of the projects he ever built or half-built are no longer insured. Nada!

12. Are the remodeler's subcontractors covered by General Liability insurance?

A Subcontractor is someone who is not an employee of the remodeler. They are usually an electrician, plumber, heating contractor, tile setter or sometimes a complete carpentry crew.

A remodeler is supposed to require that all subcontractors carry liability insurance and keep track of their insurance certificates. If the certificates are not on file when the remodeler has his yearly insurance audit, then he is required to pay all of the insurance premiums for the uninsured

subcontractors .Win, win for all the insurance companies in America. This system works – **most** of the time. But if that's so and everyone is properly insured, how come homeowners cannot always collect when contractor **fault** cannot be established?

For example: Let's assume that a room addition is being built. The plumber is soldering with a torch, the electrician is making sparks and the heating contractor is lighting a pilot light. All of a sudden there is a fire and by the time it's put out there's about five thousand dollars in damage. The questions are WHO was at fault and WHO will pay?

It gets a bit risky if every subcontractor has a different insurance company and every insurance company is trying to protect their Italian Marble Buildings. Lots of finger-pointing and stalling.

The insurance companies will pay off only if their subcontractor admits he is at fault. Sometimes, as you might imagine, no one comes forward.

The remodeler can't admit he did it because none of his workers were even there. His insurance company won't even think of paying.

If it becomes a stalemate, then there are only two parties who will end up paying. It's either the remodeler or the homeowner. Usually it's the homeowner who gets NAILED. Before signing a contract you should establish how much the remodeler will pay if the insurance company won't.

13. Does the remodeler carry Workers' Compensation Insurance on all employees?

If someone gets injured while working on your home and he is not covered by Workers' Compensation insurance, you could end up paying the medical bills and lost wages for **the rest of the worker's life**. Does this get your attention?

When an injured worker's attorney looks around for someone to sue, the homeowner is a stationary target if the remodeler didn't carry insurance.

The reason for a remodeler not to carry Workers' Compensation insurance is that he wants to keep his prices low and he's willing to pass liability on to the unwary homeowner.

In Minnesota the insurance premium for a carpenter is under \$20 out of every \$100 in wages earned. For a roofer it's under \$50 per hundred; even at that high rate, many insurance companies won't insure a small roofing company. You can see why it's so tempting for a remodeler to disregard the insurance for increased profits.

Of course, the remodeler is also named in any injury lawsuits, but if he doesn't have any money guess who's next?

The small remodeler who claims "I ain't got no overhead like those big companies" might really be telling you that he "ain't got no Workers' Compensation insurance, either!"

14. Do all of the remodeler's subcontractors have Worker's Compensation insurance?

A remodeler works with many subcontractors who are not his employees. It's the remodeler's responsibility to make sure that all the subcontractor's workers are insured. However, there are loopholes.

Example: If a remodeler hires a two-worker roofing subcontractor and they are partners, they are not required to have Worker's Compensation Insurance because they are self-employed owners. Neither the remodeler nor the homeowner can be held liable for injuries (theoretically).

But what happens if the two roofers (let's call them Joe and Jane) need some extra help working on the weekend? Joe hires his nephew, Tommy, who later slides off the roof, breaks his leg and injures his back. He's not covered by anything but the debris he landed in.

Who pays for this? The uninsured roofers don't have any money. The remodeler who hired them doesn't have any money. The homeowner who still owns a house seems to have the most money. There is one more possibility – the homeowner's insurance may cover something if the owner had the foresight to require a special Remodeling Rider.

A good remodeler would have required Joe and Jane to carry an "If Used" insurance policy for the occasional nephew they hire. It costs very little if it isn't used, but it's worth a lot when a helper does some unintentional skydiving off a roof.

15. Will the remodeler's insurance company send you certificates of insurance?

They won't send you a certificate unless you ask. And it has to come directly from the insurance company to you. A remodeler who just shows his copy could have altered the dates of an expired policy.

16. Is the remodeler licensed and bonded to do business in Minnesota and what is the license number?

Since January 1st, 1991, all remodelers and home builders have been required to be licensed by the Minnesota Department of Commerce. The contractor is supposed to show proof of insurance and be bondable. Also, he must pass a test about general construction and business procedures. The first year over 4,000 Twin Cities contractors applied for licenses. The license numbers started at 0001000. As of September 29, 1995 the license numbers were up to 20042067 with many of the original numbers belonging to companies out of business.

The Department of Commerce is supposed to regulate against bad remodelers, but lacks any real authority. The remodeler who "starred" on TV in December 1995 had a dozen complaints against him in the spring of 1995 but his license was RENEWED by the Department of Commerce!

A license doesn't indicate competence. It just means a remodeler admits being in the remodeling business and has taken time to take a test and pay for a license.

The other thing that contractor licensing has done is establish a Recovery Fund. This fund is supposed to take money from the competent contractors and pay for the transgressions of the incompetent contractors by reimbursing homeowners who did business with Buffalo Bill Nails. It does not amount to FULL recovery, so maybe they'd end up getting only "half-nailed".

In any event, the money comes from good contractors (so-called 'high bidders') to pay for the ineptness of the bad contractors (the so-called 'low-bidders').

If one were foolish enough to hire a contractor without a state license, there is NO recovery fund money available.

17. What trade and business organizations does the remodeler belong to?

Belonging to any of the trade organizations doesn't guarantee competency or trustworthiness, but at least it shows the remodeler has some kind of interest in his own industry. Even if the remodeler isn't active in the organizations, they still receive a lot of timely information about what's happening in the remodeling industry.

The typical organizations a remodeler might belong to are The National Association of Home Builders (NAHB), The National Association of the Remodeling Industry (NARI), The Remodelers Council of the Twin Cities, and the National Kitchen and Bath Association (NKBA).

The NAHB and NARI are organizations that have many members who are suppliers and subcontractors, and they have a vested interest in not taking tough action against a remodeler who they're trying to sell goods to every day.

None of the organizations has enough clout to bail you out of a bad situation, but they do try.

THE ONLY ONE WHO CAN BAIL YOU OUT IS YOU. And you have to bail out **before** you sign the contract, stopping yourself before you give Buffalo Bill Nails a pile of your money.

18. Have the remodeler give you names of at least three major suppliers they have done business with for at least five years.

Suppliers who don't get paid by Buffalo Bill Nails will be more than happy to let you know it. And if they do tell you, there's only one more precaution to take: only do business with someone who pays their bills.

If Buffalo Bill Nails doesn't pay the bill, then the homeowner gets to pay it **again** (they probably paid Bill in advance and he used the money elsewhere) when the suppliers file liens against the property where the material was delivered.

19. Will the remodeler furnish lien waivers from vendors and subcontractors to prove they have been paid?

A lien waiver is a receipt showing that a specified or unspecified amount has been paid and that the vendor has no lien rights against the home.

The vendor or subcontractor only has lien rights if they did work or delivered materials to the residence listed on the lien. They also have to deliver pre-lien notices within forty-five days after the delivery.

Buffalo Bill Nails has a neat (and very illegal) trick that manipulates lien waivers to his favor. When a smart homeowner demands lien waivers before payment, Bill has all the materials for the project of the smart homeowner delivered to one of Bill's OTHER projects where some unwary homeowners reside. Then he picks up the windows or doors etc. from the OTHER site and delivers them to the smart homeowner's home. Suppliers can only file liens against the address they DELIVERED to. The smart homeowner will receive a bogus lien waiver, marked "paid in full" and looking very good. And quite useless later if trouble develops.

The unwary homeowners now have liens filed against their home for thousands of dollars more than they should have. When Buffalo Bill Nails goes bankrupt and heads for the Badlands, guess who gets nailed for the bill?

Buffalo Bill can also nail you by FORGING lien waivers from subcontractors or suppliers It's illegal and fraudulent, but you're stuck with a legal mess.

At the end of the project there should be a nice stack of lien waivers from all vendors and subcontractors to prove you don't have to pay them again. A lien waiver is your only legal insurance that you do not have to pay twice.

20. Do the remodeler agree to use subcontractors who are licensed and bonded for their specific trades?

The Buffalo Bill Nails of the remodeling world like to have their carpenters hack away at the electrical, plumbing, and heating, too. They're not supposed to, but it saves money and time and the job can be bid lower. Make sure the remodeler uses only the most qualified tradespersons.

21. Will the remodeler furnish a list of everyone who has lien rights on the project?

You should know everyone who is working on your home so you'll know who has lien rights. And you should also know who's wandering around in your home while you're away.

22. Will the remodeler match the house's specifications?

They should, unless otherwise stated in advance. However, a problem is usually not discovered until after the fact.

23. Does the remodeler agree to warranty foundation and structural work for 10 years?

Maybe this is just a moot point because so many remodelers go out of business around December. Minnesota statute MS 1980, Section 327A.02 Subd. 3 requires contractors to warranty all foundation and structural work for 10 years.

24. Does the remodeler agree to repair or adjust windows and doors for five-years?

Windows and doors usually need some adjustments, especially patio doors. Some homeowners live in their homes with a bad door and blame it on the manufacturer. Smart homeowners hire remodelers who will be in business for years into the future of their project.

25. Does the remodeler agree to pay for roof leaks and consequential damages for one year?

This is an area where most remodelers fall short – repairing roof leaks and interior water damage caused to ceilings, walls and floors. This is time-consuming and expensive. Usually roof leaks show up in the first year after construction.

Many remodelers try to have the homeowner's insurance pay for the damages (after they've left)!

26. Does the remodeler agree to pay for things that need to be done and haven't been brought to your attention?

This is the area where most dishonest remodelers make the bulk of their profits. Through estimating or architectural mistakes, more things need to be done and they cost more money.

The **contract should spell out everything** that is being done by the remodeler and everything that is being done by the homeowner. Anything that needs to be done in order to complete the project that hasn't been mentioned should be **paid for by the remodeler**. This never goes over very well. Buffalo

Bill Nails make the BULK of his profits on the omitted items! The remodeler is supposed to be the expert on what needs to be done. Why should an inexperienced homeowner have to pay for Buffalo Bill's mistakes?

27. Does the remodeler agree to furnish 20 references of comparable projects for each year he has been in business?

This last question is the acid test. You are verifying three things: (1) How **long** he has been in business, (2) how he has **conducted** himself during that time, and (3) how much **experience** does he REALLY have?

If he claims to have been in business for 10 years, he should furnish you with 200 references. This will verify that he has been in business under the same name for that period of time.

Time does have a way of numbing the memory of unpleasant experiences with a remodeler who struggled to complete a project on time, especially if the project eventually got completed. If you really want the most up-to-date reference, try for references from clients who are currently building their project with the remodeler. A remodeler is only as good as his last 50 projects. However, the older references will give you an idea of how, or if, the remodeler handles his warranty work well.

The amount of experience the remodeler has can only be established by looking at the number of projects he has built. A remodeler who has been in business for only 10 years but has built a hundred projects a year has three times the experience of a remodeler who has been in business for twice as long but built only thirty projects a year. The first has experienced one thousand projects, and the second has experienced only 600 projects. Experience is everything, and it can be proven only by references. No references, no experience. Hang tough for a complete list of references.

THE END of the Contractor's Questionnaire

WHATS MISSING?

Nothing in this booklet describes building techniques or how oak trim is nailed to the wall. This whole effort is to help keep YOU from getting nailed to the wall!

Sawhorse will give you the missing link. We'll give you as many Contractors' Questionnaires as you need. Our phone number is (763) 533-0352. Just remember, get them filled out BEFORE you get involved with a design or an estimate.

Also, pay attention to the "Bonus Pointers" starting on the next page. They'll serve you well. Good Luck! I hope I do NOT see you and your remodeling project on TV in December

- Jim Rothbauer
Sawhorse, Inc.

Here are some other pointers about remodelers and your relationship with them.

WHY IS THERE SO MUCH PRICE DIFFERENCE BETWEEN REMODELERS?

A remodeler can use their experience and expertise to work **for** you or **against** you. You, indirectly, get to choose only one or the other. A very good remodeler can only produce very good projects. It goes against his grain to use low bids from subcontractors or suppliers. His bid will feel high.

A bad remodeler, on the other hand, doesn't have the **ability** to produce a good job. He just doesn't know how. He uses the lowest priced subcontractors and suppliers because he doesn't know the difference between GOOD and BAD work. He never will. His goal is the low bid. And your search for a "bargain," so engrained in us as Americans (it's like winning!), makes you his target prey.

With over 50 materials suppliers and subcontractors involved in a given project, and at least 10 of each to select from locally, a remodeler has 500 (!) subcontractors and vendors to choose from. He can select either the ones that can do the best job **on time**, or the lowest bids that will get it done **sometime**. Believe me, marriages have gone on the rocks due to subs who do not show up, do not show up on time, do not do the work correctly and according to specs, and then do not stand behind their work.

So if you are looking for the lowest bid there is no magic to producing one. There is, however, a lot of magic if a low bid project is pulled off without a log of delays and cost overruns. In home remodeling, you truly do get exactly what you pay for.

YOU AND THE REMODELER SHOULD HAVE THE SAME TO LOSE IF YOUR PROJECT GOES BAD

It cannot be repeated too often: When the remodeler has nothing to lose, the homeowner stands to lose everything.

When you finally get a remodeler who passes the Questionnaire and you enter into a contract, you should treat your association like a partnership. Your remodeler shouldn't try to shortchange you, and you shouldn't shortchange him. The first one who tries to nail the other will provoke the other to do the same. Then you have an adversarial relationship you didn't want or expect, and from there on things go downhill very quickly.

A GOOD REMODELER ALWAYS WANTS TO MAKE A GOOD FIRST IMPRESSION

The up front attention the remodeler gives you prior to signing the contract is the best and most you will ever get from him. If he makes you wait and wait for the design and estimate, then just imagine how well he runs the ensuing construction process. Don't wait for bids from some time-warped remodeler who can't get out of bed in the morning. Remodeling is a careful, complex job that requires constant communication and a mountain of attention to detail. Remodelers who make clients wait are always, always, always LATE.

If a remodeler won't give you good up front service, it's merely an preview of the way he works and will work on your job. Call someone else.

YOU'RE BUYING THE PROCESS, NOT THE PROJECT

Nearly everybody treats the contracting for a remodeling project as if it's already built! It isn't, and it won't be for a very long time. It's **that l o n g s p a c e** – between the signing of the contract and the completed project that you really bought.

If you can think of your remodeler as if they were a travel agent, then the PROCESS ahead of you is like the taking of the trip. If you book a trip from the Twin Cities to California, wouldn't you like to know if you will be traveling by bus, truck, pack mule or airplane? Most travelers know the difference. But in home remodeling our brains turn to jello. We end up with bad trips and feel every bump, dip, delay and stoppage. Minds feel like lost baggage. We're not sure when, how, or if the trip will get us safely to our destination.

Again, the part of the remodeling project that you really bought is the process (trip). It should be a foregone conclusion that you're going to get a good job done eventually – IF you use the Contractor's Questionnaire.

WHO'S TAKING OUT THE BUILDING PERMIT?

Just when every precaution has been taken, along comes a homeowner who's gullible enough to take out the building permit for the remodeler.

Now the homeowner is responsible for the entire project - all the inspections, all insurances and future problems or warranties. The remodeler has no liabilities and has deftly shifted all of them to the homeowner!

BANKS DON'T PROTECT YOUR INTERESTS WHEN YOU'RE REMODELING

Everyone thinks they're so smart because they bought an expensive home without a hitch. Never mind that the Closer for the bank actually did all the legal work, and if anything gets missed, the Title Insurance saves the day... and the home. This gives the homeowner a false sense of security when remodeling. They think the bank and others are watching out for them. Nobody is watching! If you lose \$50,000 on a remodeling project gone bad, you STILL owe the bank for the next 15 years. The Bank loaned you 80% of your equity in your house, so they're NICELY covered. They can easily get their money out of you even without the improvement.

There are few banks in the Twin Cities who deal exclusively with reputable remodelers. When a homeowner comes to one of these more selective banks for remodeling financing, but their remodeler isn't on the bank's A-list, the loan is turned down without explanation. The homeowner thinks they weren't approved, when actually it was the remodeler who wasn't approved. Banks are in the business of renting money. They are not in the business of providing information on the ever-changing circle of home remodelers.

WHAT TO DO WHEN THE REMODELER WON'T HONOR HIS PRICE AFTER STARTING YOUR PROJECT

This is a serious problem, a recurring one, and NEVER easy to deal with. Sometimes the remodeler has made an honest mistake, but sometimes it's a calculated mistake. Either way, he wants more money or he won't proceed any further. You have a signed contract which will hold up in court (after you have paid an attorney thousands of extra dollars). You also have a home that's in shambles for the

duration. What to do? If you do pay the extra, how do you know it won't happen again? And again? You really don't know the true price of your project until it's completed and all of your lien waivers are in hand. However, you now understand why this remodeler's bid was lower than the others. Many remodelers regard the bid as a starting point of what it takes to get a signed contract and a down payment. The real profits come in the future, through the add-ons and change orders.

WHAT ROLE SHOULD AN ATTORNEY PLAY?

It depends on if you are on the offense or the defense. Either way it will cost you a lot to gain a little.

Unfortunately, people usually hire an attorney AFTER they have been nailed. If this were jolly Old England, where the loser pays all legal fees, it could be fun. But being in the right and winning a lawsuit doesn't do much good if the remodeler you're suing is flat broke and owes everyone in town.

Better to hire an attorney BEFORE you sign a contract. Some attorneys don't know a lot about remodeling or land transactions. Find one who does.

However, if you used the Contractor's Questionnaire you shouldn't need an attorney unless there's a workmanship problem.

SHOULD YOU HIRE AN ARCHITECT TO DESIGN A REMODELING PROJECT?

This gets back to an earlier warning: "Don't consider an architect that hasn't designed at least **fifty projects** that actually got built". Why pay for someone else's learning curve? But once you get through the laborious task of having plans drawn your real work has just begun.

Your architect will send off the five-pound set of plans (that you paid \$10,000 for) to various remodeling contractors to bid on. Typically the plans will be sent to half a dozen remodelers. Some will be sent to the remodelers that the homeowner selected, and for insurance the architect will send some sets to contractors he has worked with in the past.

Most remodelers selected by the homeowner won't respond because the architect has officially signed off responsibility for the total outcome of the project and the architect does not have Errors and Omissions Insurance. The contractors selected by the architect WILL respond because they have a cozy relationship with the architect. The architect examines the bids (for an extra fee) and advises the client on what to do.

The "what to do" part is where the homeowner now gets let in on a new idea. The architect is privy to the remodeler's price ranges and if they are high enough the new idea is (news flash) that the architect will offer to build the job for the client and the client will not have to pay his five percent fee for overseeing the project.

An architect does have limitations: his primary training is not in project management and his plans still should be checked and re-specified by a structural engineer so the project doesn't drift in the wind. Homeowners get nailed by architects, too - it's just that it's not as often but it's usually for much more money. Use the Contractor's Questionnaire; one size fits all.

BIG REMODELER VS. SMALL REMODELER

It's pretty easy to say that no remodeler started out as a big remodeler. He started out small and got bigger through day-to-day experiences building a lot of projects.

The small remodeler seems to revel in the fact that he doesn't have overhead and works out of his house or apartment. Lack of overhead also means that he hasn't invested any money into the business (nothing to lose). Also, he doesn't get the high-volume price break from vendors and subcontractors. The small remodeler is just trying to imitate the large remodelers the best he can.

The question is: is that good enough for you? The big remodeler has invested hundreds of thousands of dollars in his business. Not to create high overhead but to provide all the essential remodeling services for the homeowner. And with economies of scale he is able to give far better personal service at a price equal to the under-financed small contractor.

In any business, growth is recognized as success. Big remodelers and small remodelers both want more growth. To prove the point, how would you feel about doing business with a big remodeler if you heard he had cut the size of his company in half? Even though his company is half the size it was and is still five times larger than the small remodeler, you would be hard-pressed to hire the new down-sized remodeler. Many people wouldn't feel as secure with the down-sized remodeler and would select the small remodeler where there is absolutely no security. The small remodeler is only a pickup truck accident away from leaving your house in shambles. Feel sorry for him, but look out for yourself. If you hire the under dog you'll become one.

In the Twin Cities, big remodelers (the top twenty) do about 55% of the hired remodeling business and yet create only about 5% of the complaints and lawsuits. The other small and new remodelers do the other 45% of the hired remodeling but create 95% of the complaints and lawsuits.

Best rules of thumb:

A. Use a big remodeler to do big and small jobs.

B. Use a small remodeler to do small jobs only.

MEET JIM ROTHBAUER

If a maverick is one who refuses to abide by the dictates of a group, then the author of this booklet, Jim Rothbauer, is a maverick.

We all confuse "popular" with "good" a lot these days. "Popular" just means that a lot of people believe it. And a lot of people believe that the lowest bid is good just because it's low. Our society conditions us to think that getting something for less money is always good. Rothbauer is a maverick because he'll tell a customer that he will use only the **most expensive** materials, carpenters, and subcontractors (electricians, plumbers, etc.) on their job. After the customer recovers, they hear Rothbauer list a half dozen airtight reasons why the "most expensive" is in fact **the least costly**.

Rothbauer makes a lot of other suggestions in this booklet in his lifelong pursuit to teach people the difference between cost, price, and value.

Enjoy the words of a guy who's been there. His firm Sawhorse is one of the top five designer-builder-remodeler firms in America. **Sawhorse is the most retained remodeler in Minnesota** (with the fewest complaints at the Better Business Bureau). He has the largest, most experienced staff of any designer, builder, or project manager in the state, all housed in a newly remodeled 100-year old building in Robbinsdale.